

Honolulu, Hawaii

FEB 18 2015

RE: S.B. No. 1028  
S.D. 1

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Eighth State Legislature  
Regular Session of 2015  
State of Hawaii

Madam:

Your Committee on Commerce and Consumer Protection, to which  
was referred S.B. No. 1028 entitled:

"A BILL FOR AN ACT RELATING TO THE HAWAII HEALTH CONNECTOR,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Retain current financial and service benefits of the  
Hawaii Health Connector (Connector);
- (2) Enhance the availability of services through the  
Connector; and
- (3) Support the self-sustainability of the Connector by 2023  
by enabling the Connector to issue debentures issued in  
the name of the Connector.

Your Committee received testimony in support of this measure  
from the Hawai'i Health Connector and Hawai'i Primary Care  
Association. Your Committee received comments on this measure  
from the Department of the Attorney General, Department of Budget  
and Finance, and Department of Commerce and Consumer Affairs.

Your Committee finds that the Connector has been working with  
the State and the private sector to ensure that the requirements  
of the federal Patient Protection and Affordable Care Act of 2010  
(Affordable Care Act) work in tandem with the highly successful  
Hawaii Prepaid Health Care Act to preserve the Prepaid Health Care



Act's existing benefits for Hawaii residents. According to testimony received from the Connector, daily enrollments in the Connector have been increasing as more citizens experience an enrollment process supported by improved technology, better-trained staff, and faster access to affordable health insurance plans.

Your Committee further finds that the State recently decided to remove 7,500 Compact of Free Association Migrants from the Medicaid program and enroll these individuals in health insurance through the Connector. To preserve provider-patient relationships and protect continuity of care, amendments to this measure, which mirror Affordable Care Act language and relate to qualified health plans in the Connector and federally-qualified health centers, are necessary.

Your Committee notes that although the Affordable Care Act funded the development and initial operation of the Connector, the federal government did not provide the start-up capital necessary to support operations until the Connector enrolled a sufficient number of individuals to help pay for the Connector's operating expenses. This measure supports the continued self-sustainability of the Connector through a variety of changes to the Connector's authority.

However, your Committee has heard the concerns that this measure deletes the mandate that the Connector meet the requirements of chapter 42F, Hawaii Revised Statutes, to qualify for receipt of state funds. Your Committee notes that the Hawaii State Constitution requires chapter 42F, Hawaii Revised Statutes, to be followed or alternative standards must be developed and provided by law in order for the Connector to receive state funds. In the absence of alternative standards, your Committee concludes that the chapter 42F, Hawaii Revised Statutes, mandate should remain in statute.

Your Committee additionally finds that this measure authorizes the Connector to issue debentures guaranteed by the State but issued in the name of the Connector. Your Committee has heard the testimony from the Department of the Attorney General relating to the issuance of debentures proposed by this measure and concludes that certain amendments are necessary, including a statement of public purpose and identification of the state agency authorized to guarantee, approve, and oversee the issuance of debentures.



Finally, your Committee notes that pursuant to the Hawaii State Constitution, where the State incurs a contingent liability on a debt, a reasonable reserve must be established. Although this measure authorizes the State to incur a contingent liability, it does not require or establish the constitutionally required reserve. Amendments to this measure are therefore necessary to effectuate the reasonable reserve requirement under the state constitution.

Accordingly, your Committee has amended this measure by:

- (1) Requiring qualified health plans in the Connector to offer to contract with federally-qualified health centers providing services in areas served by the qualified health plan and utilize payment methodology as specified in the federal Social Security Act;
- (2) Removing language that would have deleted the mandate that the Connector meet the requirements of chapter 42F, Hawaii Revised Statutes;
- (3) Clarifying that to achieve continued self-sustainability, the Connector may charge assessments or user fees to participating carriers or may otherwise generate non-insurer based funding to support its operations;
- (4) Specifying that all plans to generate revenue for the Connector shall be in compliance with federal and state laws, rules, and regulations;
- (5) Specifying that the State of Hawaii shall approve the terms of the debentures before the debentures are issued by the Connector;
- (6) Identifying the Hawaii Hurricane Relief Fund as the state agency authorized to guarantee, approve, and oversee the issuance of debentures by the Connector;
- (7) Effectuating the Hawaii State Constitution reasonable reserve requirement by:
  - (A) Establishing a trust fund in the state treasury, known as the Hawaii Health Connector debenture

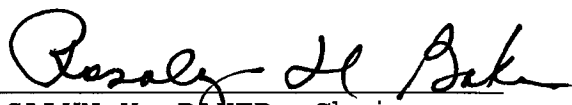


guarantee trust fund, to serve as the reserve for all debentures guaranteed under this measure; and

- (B) Inserting an unspecified appropriation out of the general fund, to be deposited into the Hawaii Health Connector debenture guarantee trust fund and specifying that this sum, when and if necessary, shall be expended by the Hawaii Hurricane Relief Fund for the purposes of this measure;
- (8) Amending the purpose section to include a statement of public purpose regarding the sale of debentures by the Connector and to reflect the updated purpose of this measure;
- (9) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (10) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1028, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1028, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Commerce and  
Consumer Protection,

  
ROSALYN H. BAKER, Chair



**Record of Votes**  
**Committee on Commerce and Consumer Protection**  
**CPN**

\*Only one measure per Record of Votes